

Message Text

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ORIGIN EB-11

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CAB - MR. SCIBILIA

EA/PHL - MR. HULEN

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O 262043Z JUN 74

FM SECSTATE WASHDC

TO AMEMBASSY MANILA IMMEDIATE

AMEMBASSY KUALA LUMPUR IMMEDIATE

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E.O. 11652: N/A

TAGS: ETRN, RP

SUBJECT: CIVAIR NEGOTIATIONS FOR PHILIPPINES

KUALA LUMPUR FOR MEADOWS, CIVAIR DELEGATION

1. AT CARRIER MEETING JUNE 25, VIEWS WERE REQUESTED ON
FOLLOWING ALTERNATIVES:

A; -ROMULO PROPOSAL AS AMENDED BY ROMUALDEZ, I.E., THREE
WIDE BODIES FOR PAL, PAN AM AND NWA FOR ONE YEAR; GUAM FOR
PAL WITH UNDERSTANDING NOT TO SERVE UNTIL SECOND DEAL WORKED
OUT FOR SIX-YEAR CAPACITY REGIME AND A BEYOND POINT FOR U.S.

B. CONFIRM SIX-YEAR CAPACITY REGIME NOW, LEAVE ROUTE RIGHTS
FOR BOTH SIDES TO BE NEGOTIATED LATER.

C. ONE-YEAR CAPACITY DEAL, GUAM FOR PAL, AND HONG KONG FOR
PAN AM. FULL SIX-YEAR CAPACITY REGIME TO BE NEGOTIATED

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LATER.

2. PAN AM SAID COULD LIVE WITH C BUT NOT A OR B. NWA SAID PREFERRED B OVER C BUT U.S. SHOULD ACCEPT A. FTL FAVORED PAL GETTING GUAM, OPPOSED ONLY ONE US AIRLINE GETTING HONG KONG, AND SAID ANY CAPACITY REGIME SHOULD AT MINIMUM PRESERVE FREQUENCIES FTL NOW HAS AND LEAVE DOOR OPEN FOR ADDITIONAL FTL FREQUENCIES.

3. DEPT/CAB BELIEVE THAT OBTAINING HONG KONG FOR PAN AM IS AN ESSENTIAL ELEMENT BECAUSE PAN AM BEARS THE BRUNT OF ADDITIONAL PAL CAPACITY AND GUAM DIVERSION, AS WELL AS BECAUSE PAN AM CANNOT EFFECTIVELY OPERATE ADDITIONAL FLIGHTS TO MANILA WITHOUT ADDITIONAL BEYOND POINT. WE ALSO BELIEVE THAT A SETTLEMENT FOR ONLY ONE YEAR DOES NOTHING TO RESOLVE LONGSTANDING PROBLEMS WE HAVE HAD ON AVIATION FRONT WITH PHILIPPINES. HOWEVER, GOP CLEARLY HAS NOT AND WILL NOT AGREE AT THIS TIME TO BOTH A SIX-YEAR CAPACITY REGIME PLUS HONG KONG. WE HAVE DEVELOPED

TWO ALTERNATIVES, DESCRIBED BELOW:

4. FIRST ALTERNATIVE:

A. TWO-YEAR CAPACITY REGIME GIVING PAL THREE DC-10'S JULY 15, 1974 AND SEVEN JUNE 1, 1975; AND GIVING PAN AM AND NWA EACH THREE B-747'S JULY 15, 1974, FOUR JUNE 1, 1975, AND FIVE JUNE 1, 1976.

B. ADDITION OF GUAM TO PAL'S FOREIGN AIR CARRIER PERMIT.

C. ADDITION OF HONG KONG TO PAN AM'S PICAB PERMIT WITH FULL TRAFFIC RIGHTS FOR ALL FREQUENCIES. THIS WOULD BE IN ADDITION TO EXISTING RIGHTS (I.E., SAIGON).

D. RETENTION OF EXISTING FREIGHTER OPERATIONS OF PAN AM AND FLYING TIGER AND OPPORTUNITY FOR AIRLINES TO APPLY TO PICAB FOR ADDITIONS.

5. UNDER THIS ALTERNATIVE, IT WOULD NOT BE NECESSARY AGREE TO HOLD EARLY CONSULTATIONS LOOKING TO LONGER TERM LIMITED OFFICIAL USE

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ARRANGEMENTS. THE BAIT IN FOREGOING PROPOSAL IS ASSURANCE PAL MAY OPERATE DAILY DC-10'S IN ONE YEAR, WHEREAS UNDER ROMULO PROPOSAL THIS IS NOT ASSURED. OBJECTIONABLE FEATURES FROM PHIL VIEWPOINT ARE PRESUMABLY THAT PAN AM AND NWA GET FIVE FLIGHTS EACH IN 1976, WHEREAS PAL GETS NOTHING ADDITIONAL THEN, AND PAN AM GETS HONG KONG. PROPOSAL WOULD BE MORE ATTRACTIVE TO GOP IF IT OMITTED INCREASE BY PAN AM AND NWA TO FIVE FLIGHTS IN 1976, BUT

OUR LEVERAGE POSITION IN ANY LATER NEGOTIATIONS TO GO
ABOVE FOUR WOULD THEN BE VERY WEAK BECAUSE PAL WOULD
ALREADY BE OPERATING DAILY DC-10 SERVICE.

6. ONE VARIATION, WHICH DESIRABLE FROM U.S. VIEWPOINT, IS
TO PROVIDE THAT PAN AM RECEIVE HONG KONG OR BANGKOK OR
SINGAPORE, WITH SELECTION LEFT TO U.S. THIS MIGHT BE
ATTRACTIVE TO GOP IF IT CONCLUDED WE MIGHT SELECT BANGKOK
OR SINGAPORE INSTEAD OF HONG KONG.

7. SECOND ALTERNATIVE WOULD BE SAME AS IN PARA 4, EXCEPT

THAT CAPACITY AGREEMENT WOULD COVER ONLY THREE WIDE BODIES
EACH FOR PAL, PAN AM, AND NWA FOR ONE YEAR.

8. REQUEST VIEWS ON FOREGOING BY EMBASSY MANILA AND USDEL
AT KUALA LUMPUR FOR RECEIPT WASHINGTON THURSDAY MORNING.
UPON RECEIPT VIEWS AND FURTHER REVIEW HERE, DEPT WILL
INSTRUCT EMBASSY MANILA.

9. FOR MANILA: PLEASE CABLE TEXTS OF DRAFT NOTES
REFERRED TO IN MANILA 7446. SISCO

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